

CASE

NUMBER:

99 . 419

HISTORY INDEX FOR CASE: 1999-419
GTE SOUTH, INC.
Financing

IN THE MATTER OF GTE SOUTH INCORPORATED FOR AUTHORITY TO
ISSUE DEBT SECURITIES

SEQ NBR	ENTRY DATE	REMARKS
0001	10/06/1999	Application.
0002	10/14/1999	Acknowledgement letter.
0003	10/27/1999	Order granting request to deviate.
0004	11/17/1999	Final Order giving authorization to issue, sell, and deliver new debentures.
M0001	07/18/2000	LARRY CALLISON GTE-RESPONSE TO FIRST REMINDER LETTER
M0002	06/14/2001	LARRY CALLISON/VERIZON-FINANCING REPORT
M0003	08/10/2001	MARK OVERSTREET/AEP-REPORTS FOR THE PERIODS ENDING MARCH 31, 2001 AND JUNE 30, 2001

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



P.O. Box 1650
Lexington, KY 40588-1650

Phone 859.245.1389
Fax 859.245.1721
larry.callison@verizon.com

June 14, 2001

RECEIVED

JUN 14 2001

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Application of Verizon South Inc. for Authority to Issue Debt Securities – Case No. 99-419

Dear Mr. Dorman:

Enclosed for filing with the Kentucky Public Service Commission (“Commission”) are an original and ten copies of Verizon South Inc.’s Financing Report, pursuant to the Commission’s November 17, 1999 order in the above-referenced case.

Please bring this filing to the attention of the Commission, and should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

JUN 14 2001

APPLICATION OF VERIZON SOUTH)
INC. FOR AUTHORITY)
TO ISSUE DEBT SECURITIES)

CASE NO. 99-419

PUBLIC SERVICE
COMMISSION

FINANCING REPORT

Verizon South Inc. ("Company", formerly GTE South Incorporated), pursuant to the Commission's Order dated November 17, 1999 in Case No. 99-419, reports as follows as to the transactions authorized by the Commission:

1. On April 18, 2001, the Company sold \$300,000,000 of Series F Senior Debentures on a retail basis.
2. The sale of the Debentures to the public is being managed by an underwriting syndicate of 41 brokerage firms, led by Merrill Lynch, Pierce, Fenner & Smith Incorporated.
3. The Debentures will mature on April 30, 2041. The Debentures are callable as a whole or in part with 30 days notice beginning April 30, 2006.
4. The coupon rate for the Debentures was set at 7.000% and the all-in cost to the Company was 7.242%. The yield-to-maturity for a 30-year Treasury Bond at the time of pricing was 5.63%.
5. Interest is payable quarterly on January 30, April 30, July 30, and October 30 of each year.
6. Net proceeds to the Company were \$290,550,000. Expenses associated with the Debentures that have been recorded to date include a \$9,450,000 underwriting discount.

7. The Debentures were issued to reduce short-term debt borrowings and to fund the Company's on-going operations and construction program.

8. With this financing, the Company has fully utilized the authority from the Commission to sell up to \$300,000,000 of long-term securities under its Order in Case No. 99-419.

9. The Company attaches hereto Exhibit A, which outlines the actual journal entries used to record transactions associated with the sale of the Debentures.

The Company, therefore, requests that this Financing Report be accepted and approved.

Respectively submitted this 12th day of June 2001.

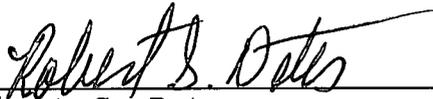
VERIZON SOUTH INC.

BY: 
Robert G. Deter
Assistant Treasurer

STATE OF TEXAS)
)
COUNTY OF DALLAS)

VERIFICATION

Robert G. Deter, being duly sworn, deposes and states that he is Assistant Treasurer of Verizon South Inc., and that the facts stated in the foregoing Financing Report are true to the best of his knowledge and belief.



Robert G. Deter

Subscribed and sworn before me this 12th day of June 2001.





Notary Public

(SEAL)

My Commission Expires:

**GTE SOUTH INCORPORATED
SALE OF DEBENTURES
ACTUAL JOURNAL ENTRIES**

(1)	Debit 1130 - Cash	\$290,550,000	
	Debit 1407 - Unamortized Debt Issuance Expense	\$0	
	Debit 4230 - Unamortized Discount	\$9,450,000	
	Credit 4210 - Funded Debt		\$300,000,000

To record issuance of new debt excluding interest accrual.

(2)	Debit 4022 - Other Notes Payable	\$290,550,000	
	Credit 1130 - Cash		\$290,550,000

To pay down Other Notes Payable (Short-Term Debt) with proceeds from issuance of
new debt.

HISTORY INDEX FOR CASE: 1999-419
GTE SOUTH, INC.
Financing

IN THE MATTER OF GTE SOUTH INCORPORATED FOR AUTHORITY TO
ISSUE DEBT SECURITIES

SEQ NBR	ENTRY DATE	REMARKS
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0004	11/17/1999	Final Order giving authorization to issue, sell, and deliver new debentures.
M0001	07/18/2000	LARRY CALLISON GTE-RESPONSE TO FIRST REMINDER LETTER

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



**GTE Service
Corporation**

150 Rojay Drive
KY10H072
Lexington, KY 40503
606 245-1389
Fax: 606 245-1721

July 18, 2000

RECEIVED

JUL 18 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Re: In the Matter of: Application of GTE South Incorporated for
Authority to Issue Debt Securities - Case No. 99-419

Dear Mr. Huelsmann:

I am in receipt of a "First Reminder Letter", dated July 10, 2000 from Stephanie Bell of your staff, in which GTE is instructed to file within 15 days a statement setting forth information concerning the issuance of securities in this proceeding.

At this time, GTE South Incorporated has not issued any new debentures as authorized by the Commission in this matter. GTE will of course abide by the terms of the Commission's November 17, 1999 order, and file such a statement within 30 days after the issuance of securities referred to in the order.

Please bring this filing to the attention of the Commission, and should you have any questions, please do not hesitate to contact me at your convenience.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison



Paul E. Patton, Governor
Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Martin J. Huelsmann
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

B. J. Helton
Chairman

Edward J. Holmes
Vice Chairman

Gary W. Gillis
Commissioner

July 10, 2000

Mr. Larry D. Callison
State Manager – Regulatory Affairs
GTE South, Inc.
150 Rojay Drive
Lexington, Kentucky 40503

Re: Case No. 1999-419, First Reminder Letter

Dear Mr. Callison:

The Commission entered the enclosed Final Order in this case on November 17, 1999. The Commission ordered that GTE shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth their date or dates of issuance, the purchase price, the interest rate, the purchasers, and all fees and expenses, including underwriting, discounts or commission, or other compensation involved in the issuance and distribution and use of the proceeds. GTE shall also provide actual journal entries used to record these transactions. Please make this filing referencing the case number 1999-419, not later than 15 days from the date of this letter.

If you have questions concerning this letter, please contact Jess Helton, of the Filings Division, at 502-564-3940, extension 278. Otherwise, please mail the required filing to Martin J. Huelsmann, Executive Director, Public Service Commission, 211 Sower Blvd., Post Office Box 615, Frankfort, Kentucky 40602.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

Enclosure
CC: Jeffrey J. Yost
Richard D. Gary





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-419
GTE SOUTH, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on November 17, 1999.

Parties of Record:

Larry D. Callison
State Manager-Regulatory Affairs
GTE South, Inc.
150 Rojay Drive
Lexington, KY. 40503

Honorable Jeffrey J. Yost
Jackson & Kelly PLLC
175 E. Main St.
Suite 500
Lexington, KY. 40507

Honorable Richard D. Gary
Gregory M. Romano
Hunton & Williams
Riverfront Plaza-East Tower
951 E. Byrd Street
Richmond, VA. 23219

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE SOUTH INCORPORATED)
FOR AUTHORITY TO ISSUE DEBT SECURITIES) CASE NO. 99-419

O R D E R

On October 6, 1999, GTE South Incorporated ("GTE") filed an application for authority to issue and sell up to \$300,000,000 of new debentures. GTE will register the new securities with the Securities and Exchange Commission ("SEC") as a "shelf filing" which will provide the company the ability to issue the new debt within two to three years. The sales will begin no earlier than the first day the debentures are approved by all regulatory authorities and authorized by the SEC and no later than two years after the registration becomes effective with the SEC.

The proceeds from the sale of the securities will be used to pay short-term borrowings incurred to finance construction activities, to retire \$166,000,000 of current maturities of long-term debt during the period July 1, 1999 to December 31, 2002, and to fund changes in its working capital requirements.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by GTE of up to \$300,000,000 of new debentures are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are

reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. GTE is authorized to issue, sell, and deliver up to \$300,000,000 in new debentures in one or more transactions over a two year period through underwriters to the public through competitive bidding, negotiated sale, or private placement at a negotiated price. The termination date of this authority shall be not later than two years after the registration statement becomes effective with the SEC.
2. If the proceeds are used to refinance existing bonds, as set forth herein, GTE shall file a report showing that the effective overall embedded cost of GTE has been reduced as a result of such financing.
3. GTE shall agree only to such terms and prices that are consistent with parameters set out in its application.
4. GTE shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth their date or dates of issuance, the purchase price, the interest rate, the purchasers, and all fees and expenses, including underwriting, discounts or commission, or other compensation involved in the issuance and distribution and the use of the proceeds. GTE shall also provide actual journal entries used to record these transactions.
5. The proceeds from the transactions authorized herein shall be used only for the lawful purpose set out in the application.

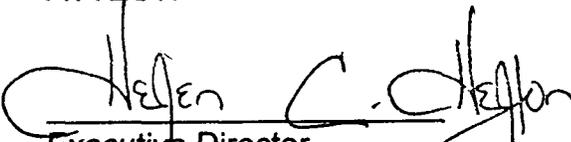
6. GTE shall, for Kentucky intrastate reporting purposes, conform to the Order in Case No. 89-201¹ and record as expenses any call premiums and unamortized discounts and expenses associated with the redeemed securities.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to securities authorized herein.

Done at Frankfort, Kentucky, this 17th day of November, 1999.

By the Commission

ATTEST:


Executive Director

¹ Case No. 89-201, Application of GTE South Incorporated for a Waiver and Authority to Amortize the Call Premium Expenses and the Unamortized Cost of Issuance Expenses in Connection With Previous Authority Granted to Sell First Mortgage Bonds and/or Promissory Notes in an Amount up to \$150,000,000.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 27, 1999

Larry D. Callison
State Manager-Regulatory Affairs
GTE South, Inc.
150 Rojay Drive
Lexington, KY. 40503

Honorable Jeffrey J. Yost
Jackson & Kelly PLLC
175 E. Main St.
Suite 500
Lexington, KY. 40507

Honorable Richard D. Gary
Gregory M. Romano
Hunton & Williams
Riverfront Plaza-East Tower
951 E. Byrd Street
Richmond, VA. 23219

RE: Case No. 99-419

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE SOUTH INCORPORATED) CASE NO.
FOR AUTHORITY TO ISSUE DEBT SECURITIES) 99-419

O R D E R

On October 6, 1999, GTE South Incorporated ("GTE South") applied to the Commission for authority to create, issue, and sell up to \$300 million of Notes or Debentures. In its filing, GTE South requested permission to deviate from the requirements of Administrative Regulation 807 KAR 5:001, Section 11(1)(a) and (b) and Section 11(2)(b) and (c).

Administrative Regulation 807 KAR 5:001, Section 11(1)(a), requires the submission of a statement of the original cost of the applicant's property and the cost to the applicant, if different. Section 11(1)(b) requires that if bonds or notes or other indebtedness are proposed, that the applicant submit a full description of all terms, as well as the interest rate. Section 11(2)(b) requires the submission of all trust deeds or mortgages, and Section 11(2)(c) requires the submission of detailed estimates by Uniform System of Accounts number.

Having reviewed the filing and being otherwise sufficiently advised, the Commission finds that the information filed therein is sufficient to enable the Commission to review adequately GTE South's filing. Therefore, its request to deviate from the above-cited regulations should be granted.

IT IS THEREFORE ORDERED that GTE's request to deviate from the requirements of 807 KAR 5:001, Section 11(1)(a) and (b), and Section 11(2)(b) and (c), is granted.

Done at Frankfort, Kentucky, this 27th day of October, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 14, 1999

Larry D. Callison
State Manager-Regulatory Affairs
GTE South, Inc.
150 Rojay Drive
Lexington, KY. 40503

Honorable Jeffrey J. Yost
Jackson & Kelly PLLC
175 E. Main St.
Suite 500
Lexington, KY. 40507

Honorable Richard D. Gary
Gregory M. Romano
Hunton & Williams
Riverfront Plaza-East Tower
951 E. Byrd Street
Richmond, VA. 23219

RE: Case No. 99-419
GTE SOUTH, INC.
(Financing)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received October 6, 1999 and has been assigned Case No. 99-419. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/lh

JACKSON & KELLY PLLC

ATTORNEYS AT LAW

175 EAST MAIN STREET

P. O. BOX 2150

LEXINGTON, KENTUCKY ~~40525-2150~~ 40588-9945

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TELEPHONE 304-233-4000

1660 LINCOLN STREET
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TELEPHONE 202-973-0200

*Jackson & Kelly is a member of Lex
Mundi, a global association of more
than 120 independent law firms.*

1600 LAIDLEY TOWER
CHARLESTON, WEST VIRGINIA 25301
TELEPHONE 304-340-1000

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25402
TELEPHONE 304-263-8800

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26155
TELEPHONE 304-455-1751

6000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-3000

1000 TECHNOLOGY DRIVE
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-2000

October 6, 1999

Ms. Helen Helton
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

RECEIVED

OCT 06 1999

PUBLIC SERVICE
COMMISSION

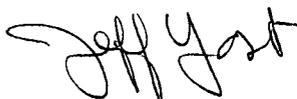
Re: GTE South Incorporated

Dear Ms. Helton:

CASE 99-419

On behalf of GTE South Incorporated, we are filing its Application for Authority to Issue Debt Securities. If you have any questions about this application, please feel free to contact me.

Sincerely yours,



Jeffrey J. Yost

JJY:bsh

Enclosure

c: GTE South Incorporated
Gregory M. Romano, Esq.

11862\301\301733

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
OCT 06 1999
PUBLIC SERVICE
COMMISSION

In the Matter of:)
Application of GTE South Incorporated)
for Authority to Issue Debt Securities)

CASE NO. 99-419

APPLICATION FOR AUTHORITY TO ISSUE DEBT SECURITIES

Comes now, GTE South Incorporated ("GTE" or "Applicant"), pursuant to KRS 278.300 and 807 KAR 5:001 Sections 6 and 11 of the Kentucky Public Service Commission's ("Commission") rules and regulations and in support of its application states as follows:

1. Applicant is a Virginia corporation doing business in the Commonwealth of Virginia and is duly qualified to transact business as a foreign corporation in the states of Alabama, Kentucky, North Carolina, South Carolina, and Illinois. Its general office and principal place of business is 4100 Roxboro Rd., Durham, North Carolina 27704. It owns and operates telephone properties in each of the foregoing states. Applicant has its principal place of business in Kentucky at 318 E. Main St., Lexington, Kentucky 40507. Applicant owns and operates 94 exchanges in Kentucky. It provides telephone service to numerous communities and surrounding territories and operates in 51 counties within the state. A certified copy of GTE's Articles of Incorporation was filed with the Commission in Case No. 92-286, In the Matter of: The Application of GTE South Incorporated for an Order Authorizing the

Issuance and Sale of Securities.

2. Applicant proposes to create, issue and sell up to \$300 million of Notes or Debentures ("New Debt"). The New Debt will be unsecured and issued at the prevailing market interest rate. Depending on the length of maturity, which will be not be more than forty (40) years, the interest rate is expected to be in the range of 6.50% to 8.00%. As the bond market is constantly fluctuating, Applicant cannot at this time forecast with accuracy the interest rate for any series of the New Debt.

3. Due to the uncertainty of the bond market, it would not be appropriate or in the public interest for the Applicant to contemplate the sale only through competitive bidding procedures. By giving consideration to methods other than competitive bidding, Applicant can assure that the conditions regarding the sale are of the greatest benefit to the Company and its customers. Applicant asserts it has not engaged in any negotiation for the sale of its New Debt prior to the filing of this Application and further asserts it will take no such action prior to the Commission ruling on this Application. Accordingly, Applicant seeks authority to conduct this transaction either through private placement, negotiated sale through underwriters, or by public offering via competitive bidding. Whichever method Applicant uses, it will fully and completely inform the Commission of the transaction details.

4. As soon as the sale of any series of the New Debt is completed and the rate of interest and other terms are ascertained,

Applicant will notify the Commission of the principal amount sold, the interest rate obtained, and other terms agreed to, together with such other information as the Commission may from time to time direct.

5. The proposed financing will be filed as a "shelf" with the Securities and Exchange Commission ("SEC"), which will provide the Company with the ability to issue the New Debt within two to three years of registration. Applicant will pay a registration fee in compliance with the requirements of the SEC in connection with the sale of the New Debt.

6. The net proceeds from the sale of the New Debt, as proposed, exclusive of accrued interest, will be applied by Applicant towards the repayment of short-term obligations obtained to finance the Company's construction program, retire \$166 million of current maturities of long-term debt during the period July 1, 1999 to December 31, 2002 (See Exhibit A), and to fund changes in its working capital requirements.

7. Accordingly, the Company requests authority to sell New Debt in an amount not exceeding \$300 million, in the aggregate through December 31, 2002.

8. As further support for its application herein the Company attaches Exhibit B, Financial Exhibit. The Company's actual and proforma income statement, balance sheet, and cash flow statement for the 12 months ended June 30, 1999 are included as attachments to the Financial Exhibit.

9. Applicant states that the income from its properties is

sufficient to pay operating expenses, including a provision for depreciation, and to pay interest on the New Debt.

10. Applicant further states that the proposed issuance and sale of New Debt is in the public interest, necessary and in an amount reasonably required for the purpose stated.

11. Applicant seeks authority to conduct this transaction either through private placement, negotiated sale through underwriters or by public offering via competitive bidding. Whichever method Applicant uses, it will fully and completely inform the Commission of the details of the transaction.

WHEREFORE, GTE South Incorporated requests authority to:

A. To issue and sell, in the aggregate, \$300 million or such lesser amount of New Debt as Applicant may determine.

B. To apply the proceeds towards the payment of short-term obligations obtained to finance the Company's construction program, retire current maturities of long-term debt, and to fund changes in its working capital requirements;

C. For such other and further relief as may be necessary in the premises and to which it is entitled;

D. To do any and all things not contrary to law and rules and regulations of the Commission which may be necessary or expedient for the accomplishment of the purposes set forth in this Application.

Respectfully submitted this 4th day of October 1999.

GTE SOUTH INCORPORATED

BY:


GREGORY D. JACOBSON
TREASURER

Jeffrey J. Yost
Jackson & Kelly PLLC
175 E. Main St. Suite 500
Lexington, Kentucky 40507
(606) 255-9500

Richard D. Gary
Gregory M. Romano
Hunton & Williams
Riverfront Plaza - East Tower
951 E. Byrd Street
Richmond, Virginia 23219
(804) 788-8200

Its Attorneys

VERIFICATION

STATE OF TEXAS

COUNTY OF DALLAS

Before me, the undersigned authority, in and for said state and county, personally appeared Gregory D. Jacobson, who, being by me first duly sworn, deposes and says that he is Treasurer of GTE South Incorporated, a corporation; that he executed the foregoing Application in and on behalf of said Company; that he has been duly designated for that purpose by the Company; that he read the Application and has personal knowledge of the matters set forth; and that the same are true and correct to the best of his knowledge and belief.



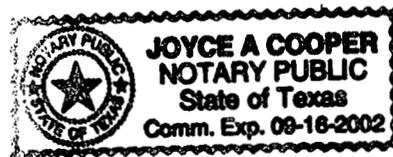
Gregory D. Jacobson

Sworn and subscribed to before me this 4th day of October 1999.



Notary Public

My commission expires:



GTE SOUTH INCORPORATED
 RETIREMENT OF CURRENT MATURITIES
 JULY 1, 1999 TO DECEMBER 31, 2002

Description (A)	Stated Rate (B)	Transaction Date (C)	Principal Amount (D)
Sinking Fund Payment of FMB Series VV	10.540%	11-30-1999	1,764,706
Sinking Fund Payment of FMB Series WW	8.800%	11-30-1999	2,353,000
Sinking Fund Payment of FMB Series VV	10.540%	11-30-2000	1,764,706
Sinking Fund Payment of FMB Series WW	8.800%	11-30-2000	2,353,000
Sinking Fund Payment of FMB Series WW	10.540%	11-30-2001	1,764,706
Sinking Fund Payment of FMB Series WW	8.800%	11-30-2001	2,353,000
Retire Series B Debentures	7.250%	08-01-2002	150,000,000
Sinking Fund Payment of FMB Series WW	10.540%	11-30-2002	1,764,706
Sinking Fund Payment of FMB Series WW	8.800%	11-30-2002	2,353,000
Total			<u>166,470,824</u>

GTE SOUTH INCORPORATED
FINANCIAL EXHIBIT
JUNE 30, 1999

Preferred Stock

Shares Outstanding:

<u>Series</u>	<u>Par Value</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Treasury Shares</u>
5.20% Series	\$ 100	8,000	4,119	0

Terms:

1. Dividend Rights:

The shares are entitled to cumulative dividends at the rate fixed for the series before any distribution can be made on common stock shares.

2. Voting Rights:

Preferred shareholders are entitled to voting rights (on an equal basis with common shareholders) in the event that dividends are more than a year in arrears. Otherwise, preferred shareholders have no voting rights.

3. Redemption Provisions:

Preferred stock outstanding is redeemable at any time, in whole or in part, on a thirty day notice.

Dividend History:

	<u>Year</u>	<u>Average Shares</u>	<u>Dividends Paid</u>
4.64% Series (1)	1998	64,600	\$24,979
	1997	65,500	75,980
	1996	68,200	79,112
	1995	70,000	81,201
	1994	76,300	88,508
5.00% Series (1)	1998	8,480	\$ 7,067
	1997	8,783	21,957
	1996	9,794	24,485
	1995	10,342	25,854
	1994	11,832	29,579
5.16% Series (1)	1998	10,986	\$11,810
	1997	10,986	28,344
	1996	10,986	28,344
	1995	11,381	29,363
	1994	12,171	31,401
5.20% Series	1998	4,119	\$21,419
	1997	4,119	21,419
	1996	4,119	21,419
	1995	4,119	21,419
	1994	4,119	21,419

(1) Series was called on March 31, 1998.

Common Stock

Shares Outstanding:

<u>Security</u>	<u>Par Value</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Treasury Shares</u>
Common Stock	25	25,000,000	21,000,000	0

Dividend History:

<u>Year</u>	<u>Average Shares</u>	<u>Dividends Paid</u>
1998	21,000,000	\$296,078,000
1997	21,000,000	259,588,000
1996	21,000,000	141,000,000
1995	21,000,000	117,891,000
1994	21,000,000	405,102,000

First Mortgage Bond Indenture - GTE South Incorporated

Trustee:

First National Bank of Chicago

Date of Execution:

November 1, 1947

Liens:

GTE South Incorporated first mortgage bonds have a 1st lien on all GTE South bondable properties except those for the former General Telephone Company of Kentucky and the former Contel of Virginia, Inc.. GTE South Incorporated first mortgage bonds have a 2nd lien on all former General Telephone Company of Kentucky and former Contel of Virginia, Inc. properties. The amount of bonds secured under this indenture as of December 31, 1997 is shown on Attachment 1.

Sinking Fund Provisions:

Outstanding GTE South Incorporated first mortgage bonds have no sinking fund provisions.

Additional Issuance Authorization:

The Company's Debenture Indenture prohibits the issuance of new first mortgage bonds.

Other Information:

The interest rate, issue date, maturity date, outstanding amounts, and annual interest amount are shown on Attachment 1.

First Mortgage Bond Indenture - Contel of Virginia, Inc.

Trustee:

Bank of New York

Date of Execution:

May 31, 1975

Liens:

Contel of Virginia, Inc. first mortgage bonds have a 1st lien on all bondable properties of the former Contel of Virginia, Inc.. The amount of bonds secured under this indenture as of June 30, 1999 is shown on Attachment 1.

Sinking Fund Provisions:

See the amounts in the column labeled "Outstanding Current Maturities" on Attachment 1.

Additional Issuance Authorization:

The Indenture is closed to the issuance of new first mortgage bonds.

Other Information:

The interest rate, issue date, maturity date, outstanding amounts, and annual interest amount are shown on Attachment 1.

Debenture Indenture - GTE South Incorporated

Trustee:

Bank of New York

Date of Execution:

May 1, 1994

Liens:

GTE South Incorporated debentures are unsecured.

Sinking Fund Provisions:

Outstanding GTE South Incorporated debentures have no sinking fund provisions.

Additional Issuance Authorization:

The Indenture has no limitations on the amount of debentures that can be issued.

Other Information:

The interest rate, issue date, maturity date, outstanding amounts, and annual interest amount are shown on Attachment 1.

GTE SOUTH INCORPORATED
OUTSTANDING LONG-TERM DEBT SECURITIES
PERIOD ENDED JUNE 30, 1999

Series (A)	Rate (B)	Issue Date (C)	Maturity Date (D)	Outstanding Long-term Maturities (E)	Outstanding Current Maturities (F)	Outstanding Principal (G=E+F)	Annual Interest (H=GxB)	
<u>Contel of Virginia, Inc. First Mortgage Bonds:</u>								
1	CVA-VV	10.540%	11-01-88	11-30-08	\$ 15,882,352	\$ 1,764,706	\$ 17,647,058	\$ 1,860,000
2	CVA-WW	8.800%	11-01-89	11-30-09	23,529,000	2,353,000	25,882,000	2,277,616
Subtotal				39,411,352	4,117,706	43,529,058	4,137,616	
<u>GTE South Debentures:</u>								
1	B	7.250%	08-01-94	08-01-02	150,000,000	0	150,000,000	10,875,000
2	C	6.000%	02-15-96	02-15-08	125,000,000	0	125,000,000	7,500,000
3	D	7.500%	03-15-96	03-15-26	250,000,000	0	250,000,000	18,750,000
4	E	6.125%	06-15-98	06-15-07	225,000,000	0	225,000,000	13,781,250
Subtotal				750,000,000	0	750,000,000	50,906,250	
Total				\$ 789,411,352	\$ 4,117,706	\$ 793,529,058	\$ 55,043,866	

GTE SOUTH INCORPORATED
SEC BASIS
INCOME STATEMENT
TWELVE MONTHS TO DATE
JUNE 30, 1999
(Thousands of Dollars)

	Actual Amount	Proforma Adjustments	Proforma Amount
Operating Revenues	\$ 1,621,700	\$ 0	\$ 1,621,700
Operating Expenses	(1,054,600)	0	(1,054,600)
Operating Income	<u>567,100</u>	<u>0</u>	<u>567,100</u>
Interest Expense	(70,800)	(2,603)	(73,403)
Other - Net	<u>0</u>	<u>0</u>	<u>0</u>
Income Before Income Taxes	496,300	(2,603)	493,697
Income Taxes	(189,100)	1,013	(188,087)
Net Income	<u>\$ 307,200</u>	<u>\$ (1,590)</u>	<u>\$ 305,610</u>

GTE SOUTH INCORPORATED
SEC BASIS
BALANCE SHEET
JUNE 30, 1999
(Thousands of Dollars)

	<u>Actual Amount</u>	<u>Proforma Adjustments</u>	<u>Proforma Amount</u>
ASSETS			
Property, Plant, & Equipment	\$ 4,588,200	\$ 0	\$ 4,588,200
Accumulated Depreciation & Amortization	(2,872,600)	0	(2,872,600)
Net Property, Plant, & Equipment	1,715,600	0	1,715,600
Short-term Notes Receivable	0	0	0
Unamortized Debt Issuance Expense	3,128	2,864	5,992
Other Assets	531,172	0	531,172
Total Assets	<u>\$ 2,249,900</u>	<u>\$ 2,864</u>	<u>\$ 2,252,764</u>
 LIABILITIES & STOCKHOLDERS EQUITY			
Liabilities:			
Current Liabilities	296,835	0	296,835
Deferred Taxes and Other Non-term Liabilities	332,658	0	332,658
Short-term Notes Payable	113,147	(129,075)	(15,928)
Current Maturities of Long-term Debt	4,118	0	4,118
Long-term Debt	796,796	133,529	930,325
:Subtotal	<u>1,543,554</u>	<u>4,454</u>	<u>1,548,008</u>
 Stockholder's Equity :			
Preferred Stock	412	0	412
Common Stock	525,000	0	525,000
Additional Paid-in Capital	58,308	0	58,308
Other Capital	30	0	30
Retained Earnings	122,596	(1,590)	121,006
Subtotal	<u>706,346</u>	<u>(1,590)</u>	<u>704,756</u>
 Total Liabilities & Stockholder's Equity	 <u>\$ 2,249,900</u>	 <u>\$ 2,864</u>	 <u>\$ 2,252,764</u>

GTE SOUTH INCORPORATED
SEC BASIS
CASH FLOW STATEMENT
TWELVE MONTHS TO DATE
JUNE 30, 1999
(Thousands of Dollars)

	<u>Actual Amount</u>	<u>Proforma Adjustments</u>	<u>Proforma Amount</u>
<u>Cash Flows From Operating Activities:</u>			
Net Income	\$ 307,200	\$ (1,590)	\$ 305,610
Depreciation and Amortization	297,100	0	297,100
Provision for Uncollectible Accounts	23,800	0	23,800
Change in Working Capital	(91,000)	0	(91,000)
Deferred Taxes & Other	(300)	0	(300)
Cash Flows From Operating Activities	<u>536,800</u>	<u>(1,590)</u>	<u>535,210</u>
<u>Cash Flows From Investing Activities:</u>			
Capital Expenditures	(365,400)	0	(365,400)
Other	1,700	0	1,700
Cash Flows From Investing Activities	<u>(363,700)</u>	<u>0</u>	<u>(363,700)</u>
<u>Cash Flows From Financing Activities:</u>			
Change in Short-term Notes	102,800	(129,075)	(26,275)
Long-term Debt Issued	0	300,000	300,000
Long-term Debt Issuance Expense	0	(2,863)	(2,863)
Long-term Debt Retired	(4,100)	(166,471)	(170,571)
Refund High-Cost Long-term Debt	0	0	0
Call Premiums for Refund of High-Cost Long-term Debt	0	0	0
Preferred Stock Retired	0	0	0
Refund High-Cost Preferred Stock	0	0	0
Call Premiums for Refund of High-Cost Preferred Stock	0	0	0
Common Equity Issued	0	0	0
Dividends Paid to Shareholders	(276,200)	0	(276,200)
Other	0	0	0
Cash Flows From Financing Activities	<u>(177,500)</u>	<u>1,591</u>	<u>(175,909)</u>
Net Cash Flows	<u>\$ (4,400)</u>	<u>\$ 1</u>	<u>\$ (4,399)</u>
<u>Reconciliation to Cash Balance:</u>			
Cash and Temporary Investments at End of Period	\$ 1,200		\$ 1,201
Cash and Temporary Investments at Beginning of Period	5,600		5,600
Change in Cash Balance	<u>\$ (4,400)</u>		<u>\$ (4,399)</u>